



# **NATURAL GAS MARKET CONDITIONS**

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**American Gas Association**

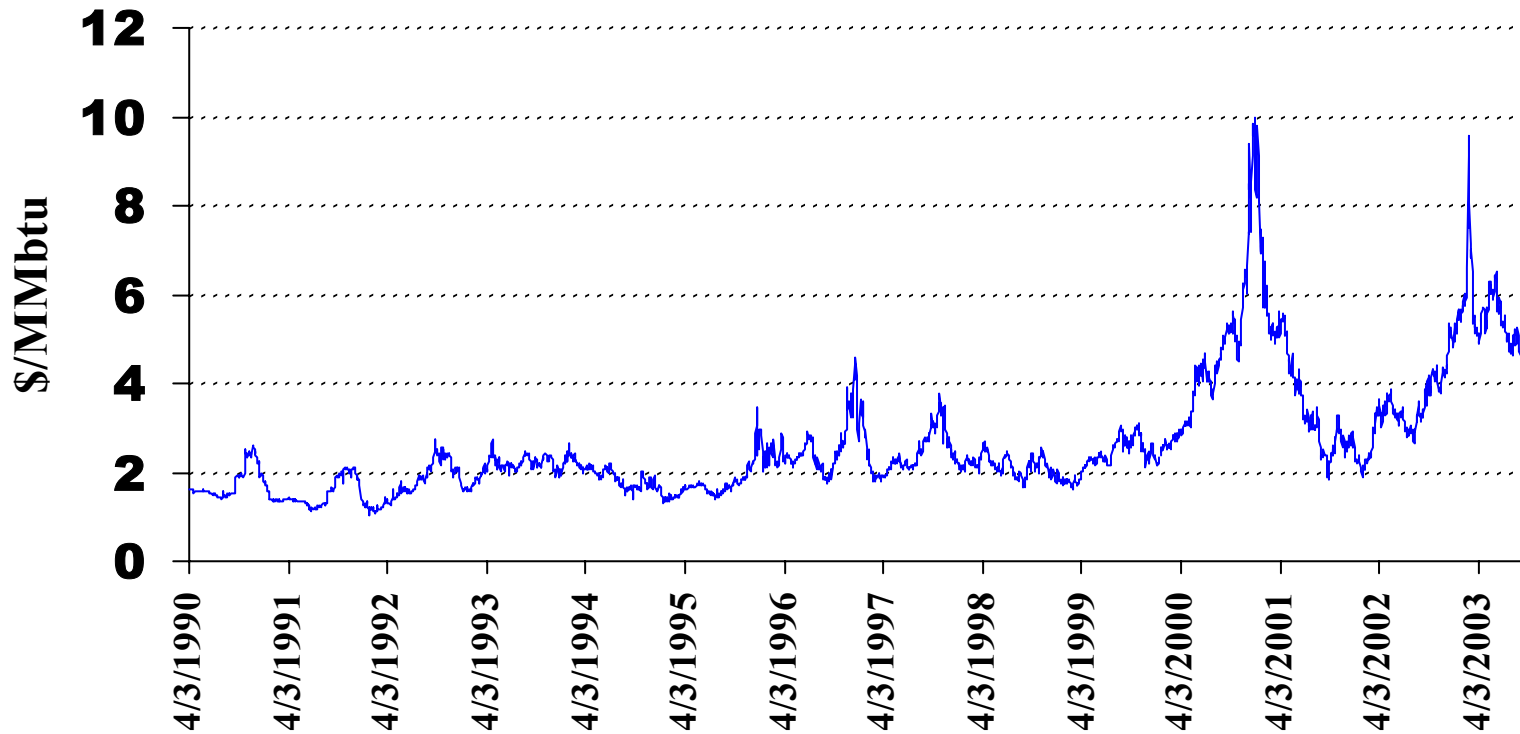
**October 2003**



**American Gas Association**

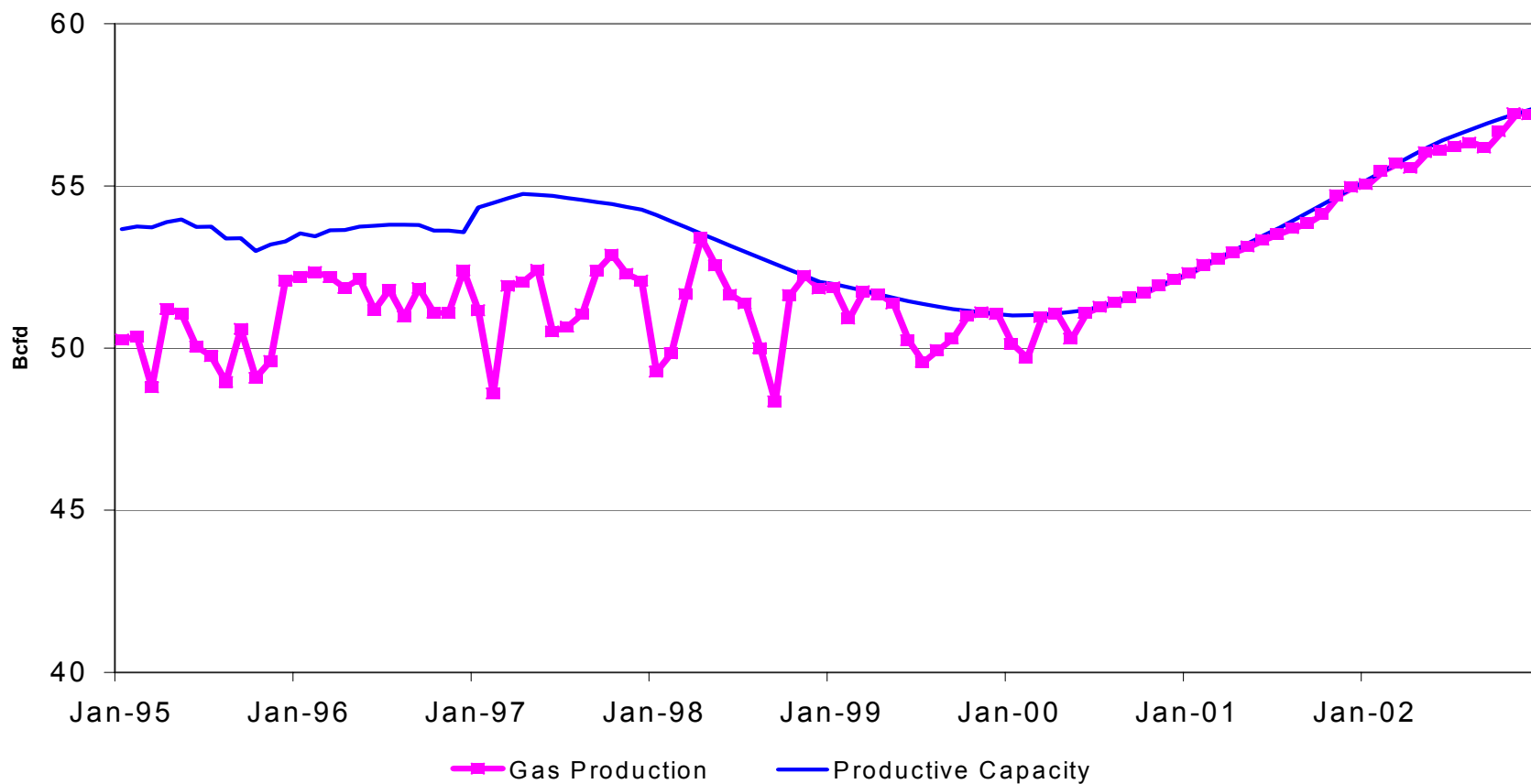
# NYMEX Henry Hub Futures Daily Settlement Prices

April/90-Sept/03

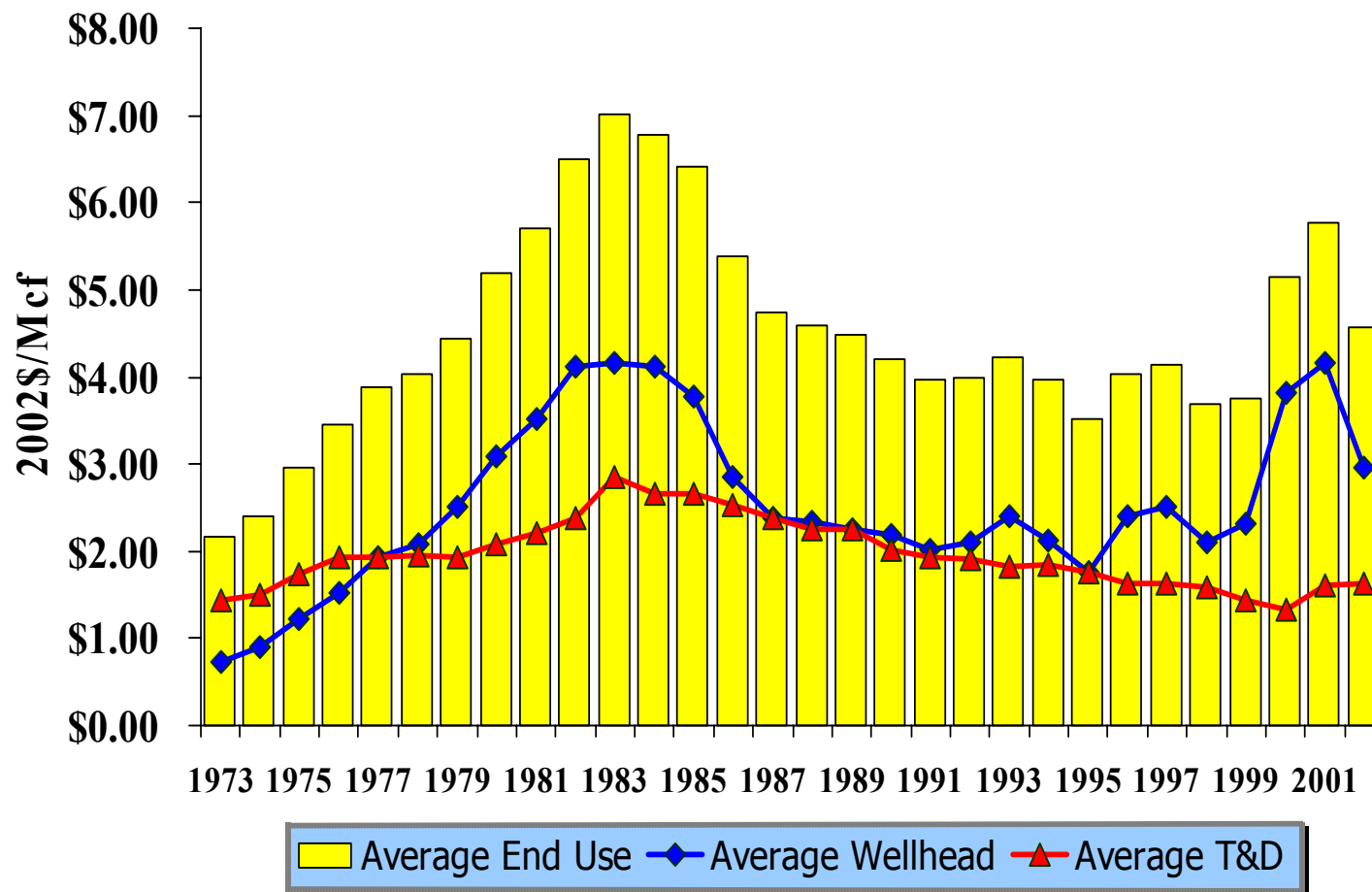


# THE BUBBLE IS GONE

Lower-48 Dry Gas Production vs.  
Dry Gas Productive Capacity



# NATURAL GAS PRICES AND T&D COSTS



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# CURRENT MARKET CONDITIONS

- Spot prices are in the \$4.50-\$5.00 range
- Rigs – 943 U.S. gas rigs operating, up 27% in one year  
– 308 Canadian rigs operating, up 30%
- Production – Down 3% in 2002, 2.5% up in first 6 months of 2003
- Storage – Reached 2,688 Bcf on September 25, gap continues to close



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# WHAT CAN WE DO?

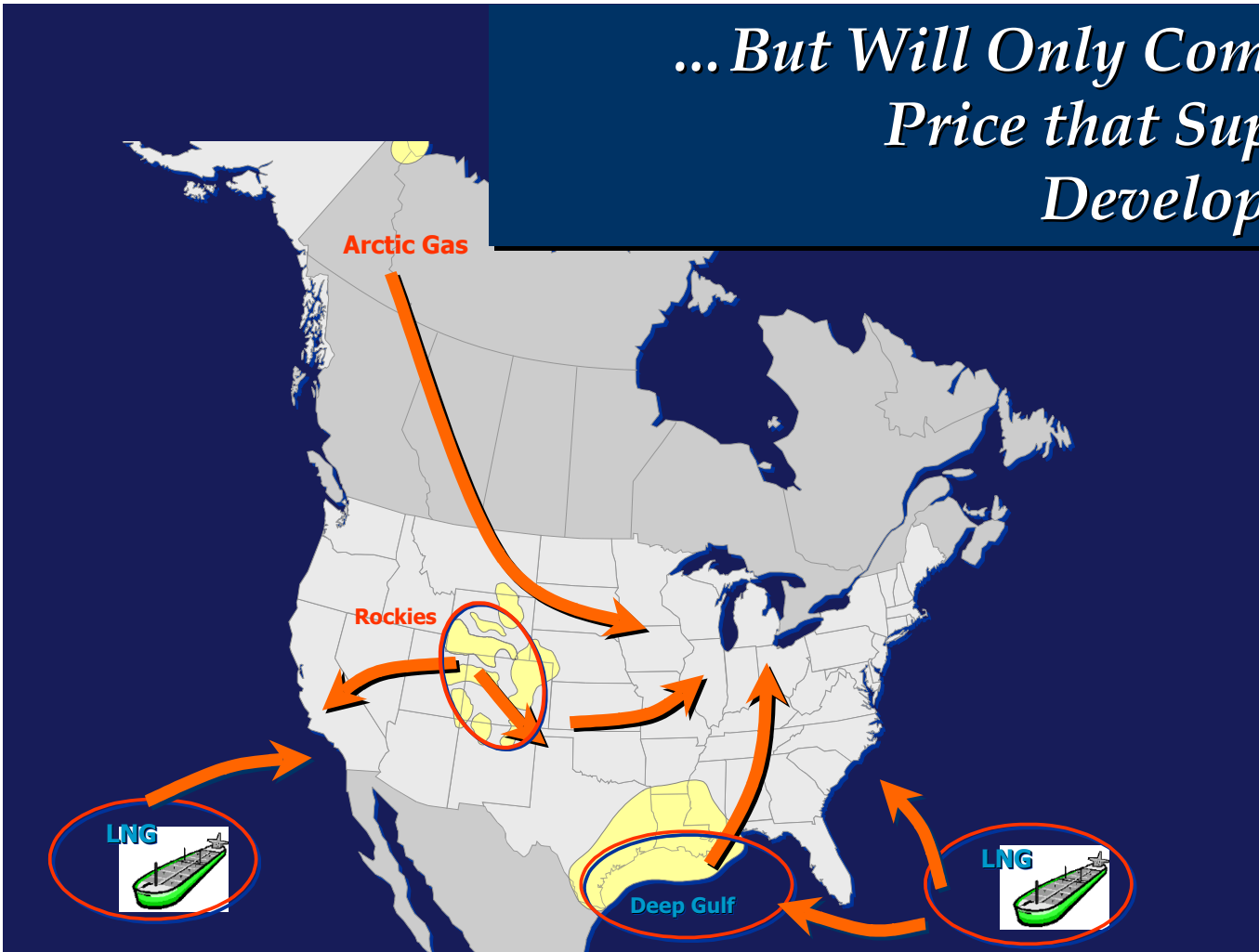
## SHORT TERM OPTIONS

- Encourage natural gas storage
- Encourage stabilizing payment programs including fixed-price contracts and budget and levelized billing programs
- Encourage conservation and energy efficiency through innovative rate design
- Encourage diversified gas supply portfolios and the use of hedging and fixed-price purchases
- Encourage LIHEAP funding



# NEW SUPPLY WILL COME FROM NEW AREAS...

*...But Will Only Come at a Price that Supports Development.*





**THANK YOU!**